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CITY STORES COMPANY

and

Subsidiary Companies

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Annual Report
To Stockholders

For the period from
February 1, 1934 to
January 31, 1935

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CITY STORES COMPANY

DIRECTORS

Joseph E. Cohn	Newark, N. J.
Saul Cohn	Newark, N. J.
Albert M. Greenfield	Philadelphia, Pa.
Walter T. Grosscup	Philadelphia, Pa.
Donald A. Henderson	New York, N. Y.
George H. Johnson	Philadelphia, Pa.
Lenard B. Keiffer	New York, N. Y.
Edgar M. Leventritt	New York, N. Y.
Joseph H. Loveman	Birmingham, Ala.
Ernest W. Niver	New York, N. Y.
Paul H. Saunders	New Orleans, La.
Herbert J. Schwartz	New Orleans, La.
Harry G. Sundheim	Philadelphia, Pa.
Robert Szold	New York, N. Y.

OFFICERS

Albert M. Greenfield	*Chairman of the Board*
Paul H. Saunders	*President*
Saul Cohn	*Executive Vice President*
Lenard B. Keiffer	*Treasurer and Asst. Secretary*
Joseph E. Cohn	*Secretary and Asst. Treasurer*

TRANSFER AGENT

For Class "A" and Common Stock . . . . Central Hanover Bk. & Trust Co.
70 Broadway, New York, N. Y.

REGISTRAR AGENT

For Class "A" and Common Stock . . . . Chase National Bank
11 Broad Street, New York, N. Y.

AUDITORS

Ernst & Ernst . . . . . 19 Rector St., New York, N. Y.

Annual Report of

CITY STORES COMPANY

and Subsidiary Companies

January 31, 1935

April 9, 1935.

To the Stockholders of

CITY STORES COMPANY:

THERE is submitted herewith the annual report of your Company for the fiscal year ended January 31, 1935, together with report of Messrs. Ernst & Ernst, independent auditors.

Included in this report are the following:

1. Balance sheets of City Stores Company (Parent Company) presenting the financial condition at the close of the fiscal year ended January 31, 1935, both before and after giving effect to the Plan of Reorganization (Exhibit 1). In these balance sheets the investment in subsidiary companies has been adjusted to reflect City Stores Company's proportion of their net tangible assets at January 31, 1935.

2. Consolidated balance sheet of City Stores Company and its subsidiary companies for the fiscal year ended January 31, 1935, before giving effect to the Plan of Reorganization (Exhibit 2).

3. Comparative consolidated income and expense statement of City Stores Company and its subsidiary companies for the three fiscal years ended January 31, 1935, (before adjustments giving effect to the Plan of Reorganization), January 31, 1934 and January 31, 1933 (Exhibit 3).

4. Analysis of consolidated capital surplus and of the consolidated profit and loss deficit of City Stores Company and subsidiary companies for the fiscal year ended January 31, 1935, before and after adjustments to give effect to the Plan of Reorganization (Exhibits 4, 5 and 6).

5. Separate balance sheets of each of the subsidiary companies as of January 31, 1935 (Exhibit 7 to 15 inclusive).

REORGANIZATION

There has been previously sent to you a copy of the Plan of Reorganization, and you have been advised that City Stores Company has been operating under Section 77-B of the Federal Bankruptcy Act since September 4, 1934. You have been likewise advised that the Plan of Reorganization was approved by the noteholders on August 28, 1934, by the stockholders on December 13, 1934 and by the United States District Court for the District of Delaware on December 20, 1934. On March

14, 1935 you were advised that April 16, 1935 had been set as a date for the exchange of old stock for new stock and for the exercise of the rights which the stockholders have under the Plan of Reorganization.

The statements as of January 31, 1935 above referred to inform you of the operations of your Company for the past year and its financial standing at January 31, 1935 shown before and after giving effect to the Plan of Reorganization.

CONSOLIDATED RESULT OF OPERATIONS

As stated in the annexed income account, Exhibit 3, the results of operation on a consolidated basis, before deducting interest, depreciation and sundry charges, show a profit of $1,636,664.26 for the fiscal year ended January 31, 1935, compared with $1,385,389.85 on a similar basis for the year ended January 31, 1934, and $163,488.52 for the year ended January 31, 1933. The charges of the subsidiary companies for depreciation, interest, provision for doubtful accounts and income tax, amount to a total of $1,214,060.67, for the year ended January 31, 1935, as against similar charges of $1,182,730.66 for the year ended January 31, 1934, and $1,238,576.57 for the year ended January 31, 1933, leaving the consolidated earnings as follows:

For the year ended January 31, 1935 a profit of $422,603.59
For the year ended January 31, 1934 a profit of $202,659.19
For the year ended January 31, 1933 a loss of $1,075,088.05

From these amounts there must be deducted the profit and loss applicable to the preferred and common stock of the subsidiary companies not owned by City Stores Company, after which there remains, before deducting its funded debt charges, the following amounts:

For the year ended January 31, 1935 a profit of $292,370.53
For the year ended January 31, 1934 a profit of $130,283.19
For the year ended January 31, 1933 a loss of $938,671.91

The interest charges on the parent company's old funded debt for the three years were as follows:

For the year ended January 31, 1935 $816,699.10
For the year ended January 31, 1934 $881,094.35
For the year ended January 31, 1933 $859,677.23

which resulted in a consolidated loss for each of the periods as follows:

For the year ended January 31, 1935 $524,328.57
For the year ended January 31, 1934 $750,811.16
For the year ended January 31, 1933 $1,798,349.14

OPERATION OF INDIVIDUAL UNITS

Special attention of the stockholders is called to the separate statements of each of the subsidiary companies for a better understanding of the investments of the parent company therein.

For convenience there is submitted herewith a summary giving the result of each of the units for the fiscal year ended January 31, 1935, after deducting all charges applicable thereto, including depreciation, excepting interest and charges on Parent Company's funded debt.

NET PROFIT OF SUBSIDIARY COMPANIES AFTER FEDERAL INCOME TAXES:

Lit Brothers, Philadelphia, Pa.	$314,451.16		
Maison Blanche Company, New Orleans, La.	98,786.16		
Maison Blanche Realty Company, New Orleans, La.	46,959.00		
B. Lowenstein & Bros., Inc., Memphis, Tenn.	56,727.71		
Kaufman Straus Company, Louisville, Ky.	15,563.51		
City Stores Mercantile Company, New York City	384.52	$532,872.06	
Less: Amount applicable to Preferred and Common stocks of subsidiary companies not owned by City Stores Company		130,241.28	
			$402,630.78
DEDUCT LOSSES OF FOLLOWING SUBSIDIARIES:			
Goerke-Kirch Company, Elizabeth, N. J.	$75,640.99		
Loveman, Joseph & Loeb, Birmingham, Ala.	33,413.33		
Kenville Realty Company, Louisville, Ky.	1,595.47	$110,649.79	
Less: Amount applicable to minority interests		8.22	110,641.57
Net Profit of Subsidiaries Applicable to City Stores Company			$291,989.21
Add: Sundry net credits of Parent Company			381.32
Net Profit Before Parent Company's Funded Debt Interest and Charges			$292,370.53

The physical inventory of the merchandise on hand at January 31, 1935 was taken under the supervision of Messrs. Ernst & Ernst, who also made extensive checks of the physical quantities in each store. As stated in each of the accompanying balance sheets, the resulting inventories have been valued by the local store managements at retail, less accumulated departmental markup, with such reserves as were necessary to reduce the book value on merchandise purchased in prior seasons to estimated present replacement cost and value.

LOVEMAN, JOSEPH & LOEB

As stated in the last annual report, the Loveman, Joseph & Loeb store was destroyed by fire on March 10, 1934. On March 28, 1934 the store was opened for business in a temporary location. The volume of business, notwithstanding the necessary temporary elimination of a number of departments and the inadequate quarters for the year ended January 31, 1935, was only six per cent less than for the year ended January 31, 1934. Arrangements have been made for the erection of a modern four story building and basement on the old site. Contracts for the construction have been awarded and it is hoped that it will be ready for occupancy in time for the late Fall of 1935.

EXCHANGE OF STOCK

Attention of all stockholders and voting trust certificate holders is again called to the president's letter of March 14, 1935 requesting them to send in their stock and voting trust certificates to the Central Hanover Bank & Trust Company, 70 Broadway, New York City, for exchange under the Plan of Reorganization.

Respectfully submitted,

P. H. SAUNDERS,
President.

ERNST & ERNST

ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE

NEW YORK

19 RECTOR STREET

March 27, 1935.

City Stores Company,
New York, N. Y.

We have made an examination of the consolidated balance sheet of CITY STORES COMPANY — NEW YORK CITY, and subsidiary companies and of the balance sheets of the individual companies as at January 31, 1935; we also made an examination of the consolidated and individual statements of income and surplus for the fiscal year then ended. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and received information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Receivables were reviewed with store managements and adequate reserves appear to have been provided for estimated shrinkage in collection. Inventories of merchandise were certified to us by store managements as to condition, salability and valuation, and have been valued not in excess of the lower of cost or market by the retail inventory method. We made test checks of quantities and generally reviewed the inventory procedure and application of the retail inventory method.

In our opinion, based upon our examination, the accompanying consolidated balance sheet of CITY STORES COMPANY and subsidiaries and the balance sheets of the individual companies, fairly present, respectively, the financial condition of the consolidated and individual companies at January 31, 1935, before adjustment in respect of Plan of Reorganization not consummated at that date, but approved by shareholders on December 13, 1934, by noteholders, and by the United States District Court of Delaware on December 20, 1934 in proceedings under Section 77-B of the Bankruptcy Act. On the same basis it is our opinion that the accompanying income, capital surplus and deficit accounts and the consolidated income and deficit accounts fairly reflect, respectively, the results of operations and changes in surplus and deficit of the parent and combined companies for the fiscal year then ended. Further it is our opinion that the statements have been prepared in accordance with accepted accounting principles consistently maintained by the companies during the year under review.

We have also reviewed the aforementioned Plan of Reorganization and related documents, and submit herewith balance sheet of City Stores Company (Parent Company) at January 31, 1935 and statements of consolidated profit and loss deficit and capital surplus of that Company and subsidiaries for the fiscal year ended January 31, 1935 adjusted to give effect to provisions of such plan.

ERNST & ERNST.

CITY STORES COMPANY, NEW YORK CITY
(Parent Company)

BALANCE SHEET
January 31, 1935

ASSETS

	Before Giving Effect to Plan of Reorganization	After Giving Effect to Plan of Reorganization
CASH	$ 4,118.45	$ 4,118.45
FUNDS IN ESCROW (To be released upon consummation of Plan of Reorganization)	33,635.98	33,635.98
ACCOUNTS AND NOTES RECEIVABLE:		
Subsidiary Company	65,228.69	65,228.69
Others, including cash in closed bank (less Reserve of $15,139.59)	795.98	795.98
INVESTMENT IN SUBSIDIARY COMPANIES:		
(Valued at City Stores Company's proportion of net tangible assets of subsidiary companies at January 31, 1935)		
Unpledged	29,466.11	29,466.11
Pledged as collateral to funded debt	13,685,597.63	13,685,597.63
	13,715,063.74	13,715,063.74
OTHER INVESTMENT (Pledged as collateral to funded debt):		
Capital Stocks of Scruggs, Vandervoort & Barney Dry Goods Co.—at cost, less reserve	51,742.00	51,742.00
	$13,870,584.84	$13,870,584.84

LIABILITIES

DEMAND NOTES PAYABLE:		
For interest and compensation on old collateral notes	$ 779,263.41	$ —o—
ACCOUNTS PAYABLE:		
Subsidiary Companies	2,663.08	2,663.08
ACCRUED ACCOUNTS:		
Interest and expenses on old funded debt	752,478.04	96,112.57
Interest on new funded debt	—o—	130,000.00
Estimated reorganization expenses—portion	78,000.00	78,000.00
FUNDED DEBT:		
6% Collateral Notes—due February 1, 1934	10,000,000.00	—o—
Ten Year 6% Lit Stock Collateral Convertible Notes—due 1944	—o—	3,500,000.00
Ten Year 6% General Collateral Convertible Notes—due 1944	—o—	3,000,000.00
CAPITAL STOCK:		
Class A Preferred (No Par Value)—old	4,307,800.00	—o—
Common Stock (No Par Value)—old	1,203,833.00	—o—
Common Stock (Par Value $5.00 per share)—new	—o—	5,738,000.00
CAPITAL SURPLUS	910,470.32	1,325,809.19
PROFIT AND LOSS DEFICIT (since February 2, 1932)	*4,163,923.01*	—o—
	$13,870,584.84	$13,870,584.84

NOTE "A": The above Balance Sheet is subject to the pertinent footnotes appearing in the consolidated balance sheet of City Stores Company and subsidiaries as at January 31, 1935 (Exhibit 2).

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

January

Before giving effect to Plan

ASSETS

CURRENT:		
Cash	$ 1,662,802.13	
Notes Receivable—Customers—*Less:* Reserve of $300.00	2,407.94	
Accounts Receivable—Customers (including $1,984,349.35 of installment accounts) *Less:* Reserve of $516,354.23	5,628,456.30	
Accounts Receivable from Vendors and Tenants, Local and State Warrants;—*Less:* Reserve of $10,000.00	110,547.13	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserves as shown on subsidiary company balance sheets)	4,693,481.21	
Marketable Securities (Lower of Cost or Market)	95,413.63	
Cash Surrender Value Life Insurance	26,714.75	$12,219,823.09
OTHER ASSETS:		
Cash on deposit for replacement of fixtures	110,428.33	
Cash held by mortgagee as replacement fund for new store premises	340,923.09	
Unsettled claims for use and occupancy insurance	300,000.00	
Sundry Investments—*Less:* Reserve of $220,259.22 ($51,742.00 pledged to secure 6% Collateral Notes)	225,420.46	
Sundry Notes and Accounts Receivable, Deposits, etc.—*Less:* Reserve of $59,455.25	192,321.62	
Claims against Closed Banks—*Less:* Reserve of $312,758.56	117,513.45	
Stock of City Stores Company owned by subsidiaries—4 shares Preferred Stock and 1,445 shares Common Stock	844.75	1,287,451.70
PERMANENT (book values)—Note F		
Land, Buildings, Fixtures, Equipment, etc.	23,499,900.14	
Less: Reserve for Depreciation and Amortization	4,975,169.14	18,524,731.00
GOODWILL (Carried on books of subsidiaries in total amount of $2,792,158.27)		1.00
DEFERRED CHARGES:		
Unexpired Insurance Premiums, Inventory of Supplies, Prepaid Expenses, etc.		343,066.26

NOTE "A": A subsidiary company is a defendant in several damage suits, with respect to which Counsel of the Company advised that, in their opinion, losses if any that may result from such suits will not exceed $1,500.00; obligations of subsidiary companies totalling $4,733.41 are secured by conditional bills of sale. In connection with Loveman, Joseph and Loeb (a subsidiary company) there has been charged to reserve an amount representing partial charges for necessary continuing expenses covered by use and occupancy insurance not yet adjusted in connection with total destruction of store premises by fire on March 10, 1934.

NOTE "B": Including $117,950.00 reserved for Class "A" Preferred Stock held in Treasury or bought for retirement.

NOTE "C": Undeclared accumulative dividends on Class "A" Preferred Stock amounted to $1,214,430.00 at January 31, 1935.

NOTE "D": City Stores Company is defendant in several lawsuits, with respect to which counsel for the Company advised that, in their opinion, recoveries by plaintiffs, if any, that may result from such suits will be negligible in amount.

NOTE "E": City Stores Company is operating under 77B of the Bankruptcy Act; the Plan of Reorganization was approved by stockholders on December 13, 1934 and by the U. S. District Court in the State of Delaware on December 20, 1934. Under the Plan there will be exchanged (a) for one share of the present no par Class A Stock or Voting Trust Certificate therefor one share of new Common Stock of the par value of $5.00; (b) for each twelve shares of the present no par value Common Stock or Voting Trust Certificates therefor one share of new Common Stock of the par value of $5.00; (c) additionally there will be issued 981,125 shares of new Common Stock, which to the extent unsubscribed for by stockholders, up to 961,125 shares, the Noteholders have agreed to take in payment of $3,500,000. face amount of their notes now overdue and in payment of $1,305,628.88 due as of October 1, 1934 for interest and renewal charges, (accrued interest thereon is payable in common stock at par or Cash at the option of the Company); (d) the balance of the notes overdue, in the face amount of $6,500,000. are to be retired by exchange for two new Ten Year Collateral Convertible Note issues in the aggregate face amount of $6,500,000.

NOTE "F": Valued at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation, (except in case of Goerke-Kirch Company where Furniture, Fixtures and Delivery Equipment are valued on basis of appraisal at February 19, 1927 with subsequent additions at cost, less accruing depreciation).

$32,375,073.05

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1935

of Reorganization — Note "E"

LIABILITIES

CURRENT:			
Notes Payable:			
For interest and compensation in connection with renewal of 6% collateral notes	$ 779,263.41		
Banks—For borrowed money (subsidiary companies)	92,000.00		
For store fixtures and equipment	10,059.81	$ 881,323.22	
Accounts Payable		1,863,419.13	
Accrued Accounts:			
Interest on mortgages, taxes, estimated reorganization expenses, salaries, wages, etc., including Federal Income Taxes	800,505.29		
Interest and renewal charges in connection with 6% collateral notes	752,478.04	1,552,983.33	$ 4,297,725.68
DEFERRED REAL ESTATE ASSESSMENT:			
Paving Assessment			3,610.62
MORTGAGES PAYABLE BY SUBSIDIARY COMPANIES:			
($180,000.00 payable during year: of 1932, 1933, 1934 and 1935 installments a total of $640,000.00 extended to maturity of mortgages)			9,375,000.00
6% COLLATERAL NOTES Due February 1, 1934 (subsequently extended in connection with Plan of Reorganization; principally secured by capital stocks of directly owned subsidiaries)			10,000,000.00
RESERVES:			
In connection with replacement fund for new store premises and claims against insurance companies under use and occupancy coverage		357,189.23	
For mortgage interest deferred		68,313.48	
For redemption of trading stamps, contingencies, etc.		470,849.98	896,352.69
DEFERRED INCOME			1,368.81
MINORITY INTERESTS:			
Preferred Stock of subsidiary companies outstanding—at par	4,337,453.00		
Accrued undeclared dividends to January 31, 1935	719,051.29	5,056,504.29	
Common Stock—subsidiary companies	319,762.00		
Surplus applicable thereto	166,568.65	486,330.65	5,542,834.94
CAPITAL:			
CAPITAL STOCK:			
CLASS "A" PREFERRED $3.50 CUMULATIVE—NO PAR VALUE:			
Outstanding 86,156 shares (after deducting 589 shares in treasury and 1,770 shares retired) (53,474 shares exchanged for Voting Trust Certificates)		4,307,800.00	
COMMON STOCK—NO PAR VALUE:			
Outstanding 1,203,833 shares (582,160 shares exchanged for Voting Trust Certificates)		1,203,833.00	
CAPITAL SURPLUS—(Note B)	628,658.40		
PROFIT AND LOSS DEFICIT (Since February 2, 1932)	*3,882,111.09*	*3,253,452.69*	2,258,180.31
			$32,375,073.05

CITY STORES COMPANY, NEW YORK CITY
and Subsidiary Companies

COMPARATIVE CONSOLIDATED INCOME AND EXPENSES

For the three fiscal years ended January 31, 1935

Before adjustments to give effect to Plan of Reorganization

	Year ended January 31, 1935	Year ended January 31, 1934	Year ended January 31, 1933
Net Sales (including sales of leased departments)	$32,088,320.59	$29,524,559.00	$29,516,633.72
Cost of Goods Sold	20,985,456.12	18,887,161.57	19,746,076.71
GROSS PROFIT	$11,102,864.47	$10,637,397.43	$ 9,770,557.01
Realized gross profit in installment contracts	—o—	27,451.43	43,449.49
TOTAL GROSS PROFIT	$11,102,864.47	$10,664,848.86	$ 9,814,006.50
Selling, administrative and general expenses	9,934,772.25	9,764,036.21	10,080,598.17
	$ 1,168,092.22	$ 900,812.65	*$ 266,591.67*
OTHER INCOME:			
Rentals	187,267.75	201,539.13	226,497.93
Interest	161,750.09	144,882.80	114,135.22
Discount earned on expense invoices	30,444.98	36,546.46	27,616.97
Dividends	22,281.00	11,105.10	16,616.20
Miscellaneous	66,828.22	90,503.71	45,213.87
TOTAL OTHER INCOME	468,572.04	484,577.20	430,080.19
	$ 1,636,664.26	$ 1,385,389.85	$ 163,488.52
OTHER CHARGES:			
Interest on mortgages and notes payable, etc., of subsidiary companies	506,141.47	524,061.10	539,477.61
Provision for doubtful accounts, bad debts written off and sundry charges (net)	207,775.66	253,881.85	280,532.41
Provision for depreciation and amortization	461,907.99	401,021.72	417,652.83
Federal Income Taxes of subsidiaries	38,235.55	3,765.99	913.72
TOTAL OTHER CHARGES	1,214,060.67	1,182,730.66	1,238,576.57
PROFIT-*Loss* FOR PERIOD	$ 422,603.59	$ 202,659.19	*$ 1,075,088.05*
DEDUCT			
Amount of net profit of subsidiaries applicable to Preferred and Common Stocks of subsidiary companies not owned by City Stores Company	130,233.06	72,376.00	*136,416.14*
PROFIT OR *Loss* APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING FUNDED DEBT CHARGES	$ 292,370.53	$ 130,283.19	*$ 938,671.91*
DEDUCT			
Interest and Charges on Parent Company's Funded Debt..	816,699.10	881,094.35	859,677.23
Loss FOR PERIOD	*$ 524,328.57*	*$ 750,811.16*	*$ 1,798,349.14*

Exhibit 4

CITY STORES COMPANY, NEW YORK CITY
and Subsidiary Companies

ANALYSIS OF CONSOLIDATED PROFIT AND LOSS DEFICIT
For the fiscal year ended January 31, 1935
(Before giving effect to Plan of Reorganization)

BALANCE—JANUARY 31, 1934		$3,246,663.61
ADDITIONS:		
Consolidated Net Loss applicable to City Stores Company for the fiscal year ended January 31, 1935	$ 524,328.57	
Expenses incidental to extension of three year notes and Plan of Reorganization, less sundry surplus credits—net	64,205.23	
Increase in minority interest applicable to Preferred Stocks of Subsidiary Companies for accumulated unearned and undeclared dividends—net	46,913.68	635,447.48
PROFIT AND LOSS DEFICIT—JANUARY 31, 1935		$3,882,111.09

Exhibit 5

ANALYSIS OF CONSOLIDATED PROFIT AND LOSS DEFICIT
For the fiscal year ended January 31, 1935
(With adjustment to give effect to Plan of Reorganization)

BALANCE—JANUARY 31, 1934		$3,246,663.61
ADDITIONS:		
Consolidated Net Loss applicable to City Stores Company for the fiscal year ended January 31, 1935	$ 524,328.57	
Expenses incidental to extension of three year notes and Plan of Reorganization, less sundry surplus credits—net	64,205.23	
Increase in minority interest applicable to stocks of Subsidiary Companies for accumulated unearned and undeclared dividends—net	46,913.68	635,447.48
PROFIT AND LOSS DEFICIT—JANUARY 31, 1935		$3,882,111.09
Less: Transferred to Capital Surplus in connection with Plan of Reorganization		3,882,111.09
BALANCE		$ —o—

Exhibit 6

ANALYSIS OF CONSOLIDATED CAPITAL SURPLUS
For the fiscal year ended January 31, 1935
(With adjustment to give effect to Plan of Reorganization)

BALANCE—JANUARY 31, 1934		$ 628,658.40
ADD:		
Capital surplus from reduction in capital during year as follows:		
Reduction in Preferred Stock Capital	$3,877,020.00	
86,156 shares old Class A stock (no par value)—declared value $50.00 per share—to be exchanged for 86,156 shares new Common stock, par value $5.00 per share—(after deducting treasury stock)		
Reduction in Common Stock Capital	702,241.88	
1,203,833 shares of old Common Stock (no par value)—declared value $1.00 per share—to be exchanged for 100,319 shares new Common stock, par value $5.00 per share—(with adjustment for fractional amounts)		4,579,261.88
		5,207,920.28
DEDUCT:		
Debit balance in Profit and Loss Deficit Account transferred as above..		3,882,111.09
CAPITAL SURPLUS AFTER REORGANIZATION		$1,325,809.19

LIT BROTHERS, PHILADELPHIA, P

CONSOLIDATED

January

ASSETS

CURRENT:		
Cash	$ 1,202,069.42	
Accounts Receivable—Customers (including $1,212,088.23 of installment accounts) *Less:* Reserve of $344,210.63 for doubtful	3,869,399.88	
Merchandise Inventories (at retail less accumulated departmental mark-up)	2,380,811.83	
Marketable Securities—At Market	47,508.22	$ 7,499,789.35
AFFILIATED COMPANIES:		
Accounts Receivable		101.55
OTHER ASSETS:		
Sundry Investments—*Less:* Reserve of $204,948.33	$ 118,799.53	
Sundry Notes and Accounts Receivable, Cash in Closed Banks, etc., *Less:* Reserve of $314,853.87	134,822.64	253,622.17
PERMANENT:		
Land, Buildings, Fixtures, Equipment, etc. (book value)—Note "C"	$16,661,956.91	
Less: Reserve for Depreciation	2,907,457.30	13,754,499.61
GOOD WILL—Value on Books		1,046,783.23
DEFERRED CHARGES:		
Unamortized Mortgage Expense, Unexpired Insurance Premiums, Supplies and Prepaid Expenses		233,628.03

NOTE "A": Accumulative unpaid and undeclared dividends at January 31, 1935 amounted to $1,525,254.72 of which $931,860.00 is applicable to Preferred Shares owned by City Stores Company.

NOTE "B": Before reserving $2,160,502.00 for Preferred Stock and Common Stock held in treasury.

NOTE "C": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "D": Payment of $320,000.00 on Mortgage maturing from April 1, 1933 to October 1, 1934, inclusive (four installments of $80,000.00 each) was extended by holder thereof to April 1, 1945.

NOTE "E": No contingent liabilities reported.

$22,788,423.94

., AND SUBSIDIARY COMPANIES

BALANCE SHEET

1, 1935

LIABILITIES

CURRENT:				
Accounts Payable—Trade			$ 1,006,851.42	
Accrued Accounts, Including Federal Income Tax			523,279.95	
			$ 1,530,131.37	
AFFILIATED COMPANY:				
Account Payable			1,784.90	$ 1,531,916.27
RESERVE FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES				414,890.72
MORTGAGES PAYABLE ($160,000.00 payable during year)—Note "D"				6,905,000.00
DEFERRED INCOME				1,368.81
CAPITAL:				
CAPITAL STOCK:				
Preferred 6% Cumulative ($100.00 par value)				
Authorized and Issued		$12,000,000.00		
Less: Held in Treasury		2,159,647.00	$ 9,840,353.00	
Common (No par value)				
1,000,000 shares authorized and issued—less 855 shares held in Treasury			999,145.00	
			$10,839,498.00	
SURPLUS (Note "B")				
Capital Surplus		$2,500.00		
Earned Surplus:				
Balance January 31, 1934 (including $28,057.09 of subsidiary companies)	$2,778,798.98			
Profit for the period from February 1, 1934 to January 31, 1935	314,451.16	3,093,250.14	3,095,750.14	13,935,248.14
				$22,788,423.94

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:				
Cash			$ 172,245.89	
Accounts Receivable—Customers (including $241,788.94 of installment accounts)—*Less:* Reserve of $35,000.00			592,182.99	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of $40,000.00)			800,278.14	$1,564,707.02
AFFILIATED COMPANIES:				
Accounts Receivable				15,402.44
OTHER ASSETS:				
Investment in affiliated Company—Book Value (1,125 shares Common Stock Voting Trust Certificates of City Stores Co.)			$ 468.75	
Investments in Other Companies			42,000.00	
Sundry Accounts Receivable and Advances, Cash in Closed Banks, etc. (*Less:* Reserve of $7,857.46)			38,456.33	80,925.08
INVESTMENT IN SUBSIDIARY COMPANIES:	* 99.43% Owned	** Entirely Owned		
Capital Stock (book carrying value)	$894,575.00	$2,074,411.38	$2,968,986.38	
Account Receivable	2,159.12	489.26	2,648.38	
	$896,734.12	$2,074,900.64		2,971,634.76
PERMANENT:				
Furniture, Fixtures, Delivery Equipment and Improvements (book value)—Note "A"			$ 702,394.90	
Less: Reserve for Depreciation and Amortization			397,827.61	304,567.29
GOOD WILL—Value on Books				376,031.24
DEFERRED CHARGES:				
Prepaid Expenses, Inventory of Supplies and Unexpired Insurance Premiums				28,870.97
				$5,342,138.80

LIABILITIES

CURRENT:				
Accounts Payable			$ 221,703.88	
Accrued Accounts			39,208.34	
			$ 260,912.22	
AFFILIATED COMPANIES:				
Accounts Payable			4,678.74	$ 265,590.96
RESERVE FOR INSURANCE, ETC.				7,500.00
CAPITAL:				
CAPITAL STOCK:				
Common Stock (Par Value $50.00) Authorized 120,000 shares—80,000 shares issued			$4,000,000.00	
SURPLUS:				
Capital			250,000.00	
Earned:				
Balance January 31, 1934		$720,261.68		
Profit for period from February 1, 1934 to January 31, 1935		98,786.16	819,047.84	5,069,047.84
				$5,342,138.80

* Represents 7,085 shares of Common Stock of Maison Blanche Realty Company.

** Represents 5,000 shares of Preferred and 25,000 shares of Common Stock of B. Lowenstein & Bros., Inc.

NOTE "A": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "B": No contingent liabilities reported.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:			
Cash		$ 92,871.50	
Rents receivable from tenants—*Less:* Reserve of $10,000.00 for doubtful		19,351.44	
Marketable securities—at cost (market value $46,482.75)		45,679.69	$ 157,902.63
OTHER ASSETS:			
Sundry accounts receivable, cash in closed banks—*Less:* Reserve of $9,500.00			28,901.32
PERMANENT:			
Land, buildings, fixtures, equipment, etc. (book value)—Note "C"		$3,325,481.21	
Less: Reserve for Depreciation		679,570.78	2,645,910.43
DEFERRED CHARGES:			
Prepaid expenses, inventory of supplies, and unexpired insurance premiums			13,031.84
			$2,845,746.22

LIABILITIES

CURRENT:			
Accounts Payable		$ 2,779.39	
Accrued accounts including Federal Income Tax		38,369.55	
		$ 41,148.94	
AFFILIATED COMPANY:			
Account Payable		2,159.12	43,308.06
FIRST MORTGAGE 5½% NOTES (Note "A"):			
Maturing $40,000.00 Semi-annually on May 1st, and November 1st, to November 1, 1943; $910,000.00 due May 1, 1944			1,630,000.00
DEFERRED REAL ESTATE ASSESSMENT:			
Payable in five equal annual installments			3,610.62
RESERVE FOR MORTGAGE INTEREST DEFERRED			49,572.38
CAPITAL:			
CAPITAL STOCK:			
Common Stock:			
Authorized	$750,000.00		
Less: In Treasury	37,500.00	$ 712,500.00	
SURPLUS:			
Earned (Note "B"):			
Balance January 31, 1934	$359,796.16		
Profit for period from February 1, 1934 to January 31, 1935	46,959.00	406,755.16	1,119,255.16
			$2,845,746.22

NOTE "A": Payment of $200,000.00 on First Mortgage Notes maturing from November 1, 1932 to November 1, 1934, inclusive (five installments of $40,000.00 each) was extended by holder thereof to May 1, 1944.

NOTE "B" Including $37,500.00 reserved for common stock held in treasury.

NOTE "C": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "D": No contingent liabilities reported.

LOVEMAN, JOSEPH & LOEB,

BALANCE

January

ASSETS

CURRENT:		
Cash	$ 89,042.72	
Notes Receivable—Customers—*Less:* Reserve of $300.00 for doubtful	2,407.94	
Accounts Receivable—Customers (including $112,792.86 of installment accounts)—*Less:* Reserve of $42,262.91 for doubtful	350,830.53	
State, Local and School Warrants	15,905.78	
Merchandise Inventories (At retail less accumulated departmental mark-up and reserve of $22,558.58)	357,697.60	
Marketable securities—At Cost (Market Value $2,245.40)	2,225.72	
Cash Surrender Value of Life Insurance	26,714.75	$ 844,825.04
OTHER ASSETS:		
Cash on deposit for replacement of fixtures	$110,428.33	
Cash held by mortgagee as replacement fund for new store premises	340,923.09	
Unsettled claims for use and occupancy insurance	300,000.00	
Investments in Other Companies—*Less:* Reserve of $10,950.89	4,670.50	
Sundry Notes and Accounts Receivable, etc. (partly secured) *Less:* Reserve of $1,200.00	53,442.77	809,464.69
AFFILIATED COMPANY:		
Capital Stock—Market value (316 shares Common Stock and 4 shares Class "A" Preferred Stock of City Stores Company)	$ 376.00	
Account Receivable	2.50	378.50
PERMANENT:		
Land, Building, Fixtures, Equipment, etc. (book value)—Note "F"	$984,613.30	
Less: Reserve for Depreciation	20,290.96	964,322.34
GOOD WILL—Value on Books		800,000.00
DEFERRED CHARGES:		
Inventory of Supplies, Unexpired Insurance Premiums, Prepaid Expenses, etc.		16,511.40
		$3,435,501.97

NOTE "A": Payment of $120,000.00 on First Mortgage maturing from August 7, 1932 to February 7, 1935, inclusive (six installments of $20,000.00 each) was extended by holder thereof to February 7, 1938.

NOTE "B": Excluding charge of $733,100.00 for preferred stock held in treasury.

NOTE "C": Accumulative unpaid and undeclared dividends at January 31, 1935 on the 7% Cumulative Preferred Stock amounted to $57,605.92.

BIRMINGHAM, ALABAMA

SHEET

31, 1935

LIABILITIES

CURRENT:				
Notes Payable—Fixtures			$ 7,726.40	
Accounts Payable			205,362.34	
Accrued Accounts			36,629.25	
			$ 249,717.99	
AFFILIATED COMPANIES:				
Accounts Payable			2,111.70	$ 251,829.69
FIRST MORTGAGE—5% due 1935-1938—Note "A":				
On land and buildings—($20,000.00 payable during year)				840,000.00
RESERVES:				
In connection with replacement fund for new store premises and claims against insurance companies under use and occupancy coverage			$ 357,189.23	
For Contingencies, Deferred Interest, Pensions, etc.			71,524.65	428,713.88
CAPITAL:				
CAPITAL STOCK:				
Preferred Stock 7% Cumulative—$100.00 par value — Authorized and Issued	$1,000,000.00			
Less: In Treasury	733,100.00	$ 266,900.00		
Common Stock — $100.00 par value—Authorized	$2,000,000.00			
Less: Unissued	378,000.00	1,622,000.00	$1,888,900.00	
SURPLUS (Note "B"):				
Earned:				
Balance January 31, 1934		$ 49,721.73		
DEDUCT:				
Loss for Period from February 1, 1934 to January 31, 1935	$ 33,413.33			
Less: Discount on Preferred Capital Stock purchased	9,750.00	23,663.33	26,058.40	1,914,958.40
				$3,435,501.97

NOTE "D": The Company was defendant in several damage suits, with respect to which counsel for the Company advised us that, in their opinion, losses, if any, that may result from such suits will not exceed $1,500.00.

NOTE "E": In the preparation of the above statement there has been charged to reserve an amount representing partial charges for necessary continuing expenses covered by use and occupancy insurance not yet adjusted in connection with total destruction of store premises by fire on March 10, 1934.

NOTE "F": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:			
Cash		$ 40,273.08	
Accounts Receivable—Customers (including $200,721.51 of installment accounts) *Less:* Reserve of $37,309.09 for doubtful		463,343.11	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of $20,000.00)		684,994.96	$1,188,611.15
AFFILIATED COMPANY:			
Note Receivable and accrued interest			10,043.05
OTHER ASSETS:			
Investments in Other Companies—*Less:* Reserve of $2,500.00		$ 3,747.33	
Sundry Notes and Accounts Receivable, and Restricted Bank Deposit		22,955.07	26,702.40
PERMANENT:			
Fixtures, Equipment, Improvements, etc. (book value)—Note "B"		$ 903,451.33	
Less: Reserve for Depreciation and Amortization		531,090.28	372,361.05
GOOD WILL—Value on books			150,000.00
DEFERRED CHARGES:			
Inventory of Supplies, Unexpired Insurance Premiums, Prepaid Expenses, etc.			25,495.55
			$1,773,213.20

LIABILITIES

CURRENT:			
Accounts Payable		$ 222,653.41	
Accrued Accounts including Federal Income Tax		40,217.39	
		$ 262,870.80	
AFFILIATED COMPANIES:			
Accounts Payable		4,056.58	$ 266,927.38
RESERVE FOR INSURANCE, ETC.			4,352.94
CAPITAL:			
CAPITAL STOCK:			
Preferred 8% Cumulative—$100.00 Par Value			
Authorized	$600,000.00		
Less: Unissued	100,000.00	$ 500,000.00	
Common Stock—No Par Value			
25,000 shares Authorized and Issued		1,500,000.00	$2,000,000.00
DEFICIT:			
Deficit—January 31, 1934		***$554,794.83***	
Profit for Period from February 1, 1934 to January 31, 1935		56,727.71	***498,067.12*** 1,501,932.88
			$1,773,213.20

NOTE "A": Dividends on Preferred Stock (entirely owned by Maison Blanche Company) have been paid to January 1, 1924.

NOTE "B": Valued at cost paid for in cash at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "C": No contingent liabilities reported.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:			
Cash		$ 35,243.86	
Accounts Receivable—Customers (including $63,156.57 of installment accounts) *Less:* Reserve of $11,841.87		274,231.43	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of $10,000.00)		310,436.36	$ 619,911.65
AFFILIATED COMPANY:			
Account Receivable			2,444.11
OTHER ASSETS:			
Investment in Other Companies		$ 1,193.00	
Sundry Notes and Accounts Receivable, etc.		7,014.10	8,207.10
PERMANENT:			
Leasehold Improvements, Furniture and Fixtures, Delivery Equipment (book value)—Note "D"		$ 671,572.93	
Less: Reserve for Depreciation and Amortization		325,371.55	346,201.38
GOOD WILL—Value on Books			419,343.80
DEFERRED CHARGES:			
Inventory of supplies, unexpired insurance premiums, prepaid expenses, etc.			17,637.72
			$1,413,745.76

LIABILITIES

CURRENT:				
Notes payable—Bank			$ 85,000.00	
Notes payable—Equipment purchased (Note "C")			2,333.41	
Accounts payable			103,644.75	
Accrued accounts including Federal Income Tax			15,362.75	
			$ 206,340.91	
AFFILIATED COMPANIES:				
Accounts payable			4,994.69	$ 211,335.60
CAPITAL:				
CAPITAL STOCK:				
Preferred 7% Cumulative—$100.00 par value				
Authorized		$750,000.00		
Less: Unissued	$247,400.00			
Retired	3,700.00	251,100.00	$ 498,900.00	
Common—Authorized and issued			1,000,000.00	
			$1,498,900.00	
DEFICIT (Note "B"):				
Balance January 31, 1934		***$337,089.74***		
DEDUCT:				
Profit for period from February 1, 1934 to January 31, 1935	$15,563.51			
Cancelling provision for prior year State gross sales tax not now required	25,036.39	40,599.90	***296,489.84***	1,202,410.16
				$1,413,745.76

NOTE "A": Accumulative unpaid and undeclared dividends at January 31, 1935 on the 7% Cumulative Preferred Stock amounted to $139,692.00 of which $71,841.00 is applicable to Preferred shares owned by City Stores Company.

NOTE "B": Before reserving $3,700.00 for Preferred Stock retired.

NOTE "C": Notes Payable in the amount of $2,333.41 for Store Fixtures are secured by conditional bills of sale.

NOTE "D": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "E": No contingent liabilities reported.

GOERKE-KIRCH COMPANY, ELIZABETH, N. J.

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:			
Cash		$ 12,223.75	
Accounts Receivable—Customers (including $144,324.15 of installment accounts) *Less:* Reserve of $36,252.64 for doubtful		153,758.27	
Merchandise Inventories (at retail less accumulated departmental mark-up and reserve of $7,000.00)		159,262.32	$325,244.34
OTHER ASSETS:			
Sundry Accounts Receivable, etc., *Less:* Reserve of $4,999.98			23,057.88
PERMANENT:			
Fixtures, Equipment, Improvements, etc. (Book value)—Note "C"		$184,553.43	
Less: Reserve for Depreciation and Amortization		98,414.69	86,138.74
DEFERRED CHARGES:			
Unexpired insurance premiums, inventory of supplies, prepaid expenses, etc.			7,865.75
			$442,306.71

LIABILITIES

CURRENT:			
Note Payable—Bank		$ 7,000.00	
Accounts Payable—Trade Creditors		94,741.47	
Accounts Payable—Store Fixtures Purchased (Note "A")		2,400.00	
Accrued Accounts		5,964.44	
		$110,105.91	
AFFILIATED COMPANIES:			
Accounts Payable (Note "B")		112,146.41	$222,252.32
RESERVE FOR CONTINGENCIES			21,322.77
CAPITAL:			
CAPITAL STOCK:			
Common Stock—No Par Value			
Authorized and Issued 1,000 shares		$541,400.00	
SURPLUS-DEFICIT:			
Capital Surplus	$16,846.64		
Operating Deficit:			
Balance January 31, 1934	*$283,874.03*		
Loss for period from February 1, 1934 to January 31, 1935	*75,640.99*	*359,515.02*	*342,668.38*	198,731.62
			$442,306.71

NOTE "A": Accounts payable for store equipment are secured by conditional bills of sale.

NOTE "B": Includes $65.228.69 due to City Stores Company which has been subordinated by that company to general creditors.

NOTE "C": Valued on basis of appraisal at February 19, 1927, plus subsequent additions at cost, less accruing depreciation.

NOTE "D": No contingent liabilities reported.

Exhibit 14

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

January 31, 1935

ASSETS

CURRENT:		
Cash		$14,713.46
AFFILIATED COMPANIES:		
Accounts Receivable		39,777.26
OTHER ASSETS:		
Account Receivable—Employee		21.10
PERMANENT:		
Furniture and Fixtures (Book Value)—Note "A"	$15,876.13	
Less: Reserve for Depreciation	15,145.97	730.16
DEFERRED CHARGES:		
Prepaid Taxes		25.00
		$55,266.98

LIABILITIES

CURRENT:		
Accounts Payable	$ 3,282.47	
Accrued Accounts, including Federal Income Tax	22,518.40	$25,800.87
CAPITAL:		
CAPITAL STOCK:		
Common Stock—Par Value $100.00—Authorized 1,250 shares—250 shares Issued	$25,000.00	
SURPLUS:		
Balance—January 31, 1934	$4,081.59	
Profit for period from February 1, 1934 to January 31, 1935	384.52	4,466.11
		29,466.11
		$55,266.98

NOTE "A": Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less accruing depreciation.

NOTE "B": No contingent liabilities reported.

Exhibit 15

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

January 31, 1935

ASSETS

AFFILIATED COMPANY:			
Account Receivable			$ 1,441.35
PERMANENT:			
Land—Note "A"			50,000.00
			$51,441.35

LIABILITIES

ACCRUED ACCOUNTS			$ 955.22
AFFILIATED COMPANIES:			
Accounts Payable			2,494.11
CAPITAL:			
CAPITAL STOCK:			
Common Stock—$100.00 Par Value—Authorized and Issued		$50,000.00	
DEFICIT:			
Balance January 31, 1934	*$ 412.51*		
Loss for period from February 1, 1934 to January 31, 1935	*1,595.47*	*2,007.98*	47,992.02
			$51,441.35

NOTE "A": Valued at cost paid for in cash.

NOTE "B": No contingent liabilities reported.